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NOTICE OF HEARING

BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH

THE STATE OF UTAH TO ALL PERSONS INTERESTED IN THE FOLLOWING MATTERS (Docket Nos. 2016-002, 2016-003, and 2016-005):

NOTICE IS HEREBY GIVEN that the Board of Oil, Gas and Mining ("Board"), State of Utah, will conduct a hearing on WEDNESDAY, FEBRUARY 24, 2016, at 9:00 AM, or as soon thereafter as possible, in the auditorium of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah. The hearing will be streamed live on the Department of Natural Resources YouTube channel at <https://youtu.be/bVvvvz-2Fmo>.

THE HEARING WILL BE CONDUCTED as a formal administrative adjudication in accordance with the rules of the Board as set forth in Utah Administrative Code R641 et seq. and as provided for in Utah Code Ann. § 40-6-1 et seq., Utah Code Ann. § 40-8-1 et seq., and Utah Code Ann. § 63G-4-101 through 601.

DOCKET NO. 2016-002 CAUSE NO. 166-07 - In the matter of the Request for Agency Action of FIDELITY EXPLORATION & PRODUCTION COMPANY for an order establishing a special drilling unit for the CCU 36-2-25-19 horizontal well for the production of oil and associated gas and hydrocarbons from the Paradox Formation comprised of the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 25 and the S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 36, Township 25 South, Range 19 East, SLM, the N $\frac{1}{2}$ N $\frac{1}{2}$ [unsurveyed] of Section 1 and Lot 1 of Section 2, Township 26 South, Range 19 East, SLM, and Lots 4 and 5 of Section 6, Township 26 South, Range 20 East, SLM, Grand County, Utah.

THE PURPOSE OF THE PROCEEDING will be for the Board to receive testimony and evidence regarding a Request for Agency Action that the Board enter an Order:

1. Establishing a special drilling unit for the CCU 36-2-25-19 horizontal well (the "Subject Well") for the production of oil and associated gas and hydrocarbons for the Paradox formation, defined for purposes of this Cause as follows:

That interval between the stratigraphic equivalence of 3,668 feet and 8,733 feet, as shown on the Gamma Ray Log of the CCU 36-2-26-19 Well, with a surface hole location in the SW $\frac{1}{4}$ SW $\frac{1}{4}$, Section 36, T25S, R19E, SLM, comprised of the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 35 and the S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 36, Township 25 South, Range 19 East, SLM, the N $\frac{1}{2}$ N $\frac{1}{2}$ [unsurveyed]; which apparently will consist of Lots 1-8 if and when surveyed] of Section 1 and Lot 1 of Section 2, Township 26 South, Range 19 East, SLM, and Lots 4 and 5 of Section 6, Township 26 South, Range 20 East, SLM, Grand County, Utah, retroactive to August 26, 2014, the date of first production from said Well;

2. Providing that no well (whether vertical or horizontal) producing from the Paradox formation may be located 760 feet closer than from any portion of the Subject Well's lateral located within said Formation without an exception location approval by the Division or Board in accordance with Utah Admin. Code Rule R649-3-3;

3. Providing said Order shall be suspended without further order of the Board if and as of the effective date of the determination by the Bureau of Land Management ("BLM") that the Subject Well is capable of producing Unitized Substances in Paying Quantities, as defined in the Cane Creek Unit Agreement, and/or inclusion of all of the Subject Lands within a Unit participating area. In such event, Fidelity, or its successor Unit Operator, shall provide to the Board's secretary a copy of the BLM Decision Letter reflecting such determination so the Board's records may be properly noted to reflect such suspension becoming effective; and

4. Providing for such other and further relief as may be just and equitable under the circumstances.

DOCKET NO. 2016-003 CAUSE NO. S/037/0123 - In the matter of: reclamation at an unnamed, unpermitted mine, known by the Division as the Limestone mine, file no. S/037/0123, operated by MONUMENT RESOURCES, L.L.C., located in the west $\frac{1}{2}$ of Section 6, Township 42 South, Range 19 East, Salt Lake Base and Meridian, in San Juan County, Utah.

THE PURPOSE OF THE PROCEEDING will be for the Board to receive testimony and evidence regarding a Notice of Agency Action requesting that the Board take the following actions:

1. Find that Monument Resources has failed or refused to conduct reclamation of the Limestone mine (the Mine), located in the west $\frac{1}{2}$ of Section 6, Township 42 South, Range 19 East, in San Juan County, Utah;

2. Order the Division to conduct reclamation of the Mine under Utah Administrative Code Rule 647-3-112;
 3. Request that the Attorney General recover the costs and expenses of reclamation, including attorney's fees, in a civil action against Monument Resources under Utah Administrative Code Rule 647-3-112;
 4. Request that the Attorney General and the Division seek civil penalties of \$22,500 in a civil action under Utah Code § 40-8-9.1(4); and
 5. Grant such other equitable relief as may be just and reasonable based on the evidence and arguments provided at the hearing.
- DOCKET NO. 2016-005 CAUSE NO. 222-16 - In the matter of the Notice of Agency Action for an order requiring HINTO ENERGY, Inc. to plug and reclaim wells or, in the alternative, forfeiting surety bonds and authorizing the Division to plug and reclaim wells located in Sections 14 and 24, Township 21 South, Range 23 East in Grand County, Utah.

THE PURPOSE OF THE PROCEEDING will be for the Board to receive testimony and evidence regarding a Notice of Agency Action that the Board take the following actions:

1. Order Hinto Energy, Inc. ("Hinto") and/or Vectra Bank of Colorado ("Vectra Bank") to commence plugging and restoration of the Sweetheart 7 well, located in Section 24 of Township 21 South, Range 23 East; the 14-01 well, located in Section 14 of Township 21 South, Range 23 East; and the Little Boy 2 well, located in Section 24 of Township 21 South, Range 23 East, (the "Extended Shut-In Wells") in accordance with the Division's requirements and the requirements of Utah Administrative Code Rule 649-3-24 within 30 days of this Order, and if Hinto or Vectra Bank fails to commence plugging and restoration work within 30 days,
 - a. Order Hinto's interest in and ownership of the certificates of deposit ("CDs") for the Extended Shut-In Wells - amounting to \$16,000 - be forfeit to the Division and order Vectra Bank to deliver the full amount to the Division;
 - b. Order the Division to use the forfeited funds to complete the plugging and restoration of the wells to which each bond applies;
 - c. If the forfeited funds are insufficient to cover the full cost of plugging and restoring the Extended Shut-In Wells, authorize the Division to complete plugging and restoration and bring all appropriate and necessary legal actions to recover any costs in excess of the forfeited amount from Hinto;
2. Order Hinto to provide complete information as required by Rule 649-3-36 for the Sweetheart 5A well, located in Section 24 of Township 21 South, Range 23 East; the Sweetheart 2A well, located in Section 24 of Township 21 South, Range 23 East; and the Sweetheart 14-02 well, located in Section 14 of Township 21 South, Range 23 East, (the "Shut-In Wells") and to provide full cost bonding in the amount of actual plugging and site restoration costs for the Shut-In Wells within 30 days of this Order, and if Hinto fails to provide complete information and full cost bonding within 30 days,
 - a. Find that the appropriate remedial action under Rule 649-3-36.2 is plugging and restoring the Shut-In Wells, and order Hinto to commence plugging and restoration work within 30 days, and if Hinto fails to do so,
 - i. Order Hinto's interest in and ownership of the CDs for the Shut-In Wells - amounting to \$20,000 - be forfeit to the Division and order Vectra Bank to deliver the full amount to the Division;
 - ii. Order the Division to use the forfeited funds to complete the plugging and restoration of the wells to which each bond applies;
 - iii. If the forfeited funds are insufficient to cover the full cost of plugging and restoring the Shut-In Wells, authorize the Division to complete plugging and restoration and bring all appropriate and necessary legal actions to recover any costs in excess of the forfeited amount from Hinto;
3. Order Hinto to provide the Division with complete information on well integrity and production for the Nuggett 14-4 well, located in Section 14 of Township 21 South, Range 23 East; and the Gibralter 1 well, located in Section 24 of Township 21 South, Range 23 East, (the "Remaining Wells"), and if Hinto fails to offer complete information as required by Rules 649-3-36 and/or 649-8-11 within 30 days of this Order,
 - a. Find that the appropriate remedial action is to plug and restore the Remaining Wells, and order Hinto to commence plugging and restoration work within 30 days, and if Hinto fails to do so,
 - i. Order Hinto's interest in and ownership of the CDs for the Remaining Wells - amounting to \$16,500 - be forfeit to the Division and order Vectra Bank to deliver the full amount to the Division;
 - ii. Order the Division to use the forfeited funds to complete the plugging and restoration of the wells to which each bond applies;
 - iii. If the forfeited funds are insufficient to cover the full cost of plugging and restoring the Remaining Wells, authorize the Division to complete plugging and restoration and bring all appropriate and necessary legal actions to recover any costs in excess of the forfeited amount from Hinto;
4. Find that Hinto has violated the Rules with respect to the Extended Shut-In Wells, the Shut-In Wells, and the Remaining Wells, and authorize the Division to seek penalties in district court of up to \$5,000 per day of continuing violation in an amount the Board deems appropriate; and
5. Grant such other and further relief as may be just and equitable under the circumstances.

Objections to the Request for Agency Action and Notice(s) of Agency Action must be filed with the Secretary of the Board at the address listed below no later than FEBRUARY 10, 2016. A party must file a timely written objection or other response in order to participate as a party at the Board hearing. Failure to participate can result in a default judgment.

Natural persons may appear and represent themselves before the Board. All other representation of parties before the Board will be by attorneys licensed to practice law in the State of Utah, or attorneys licensed to practice law in another jurisdiction which meet the rules of the Utah State Bar for practicing law before the Utah Courts.

Persons interested in this matter may participate pursuant to the procedural rules of the Board. The Request for Agency Action and Notice(s) of Agency Action, and any subsequent pleadings, may be inspected at the office of the undersigned, and inspected online at the Utah Board of Oil, Gas and Mining's website at <http://ogm.utah.gov/amr/boardtemp/redesign/books.html>.

Pursuant to the Americans with Disabilities Act, persons requiring auxiliary communicative aids and services to enable them to participate in this hearing should call Julie Ann Carter at (801) 538-5277, at least three working days prior to the hearing date.

DATED this 26th day of January, 2016.

STATE OF UTAH

BOARD OF OIL, GAS

AND MINING

Ruland J. Gill, Jr., Chairman

/s/ Julie Ann Carter

Board Secretary

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